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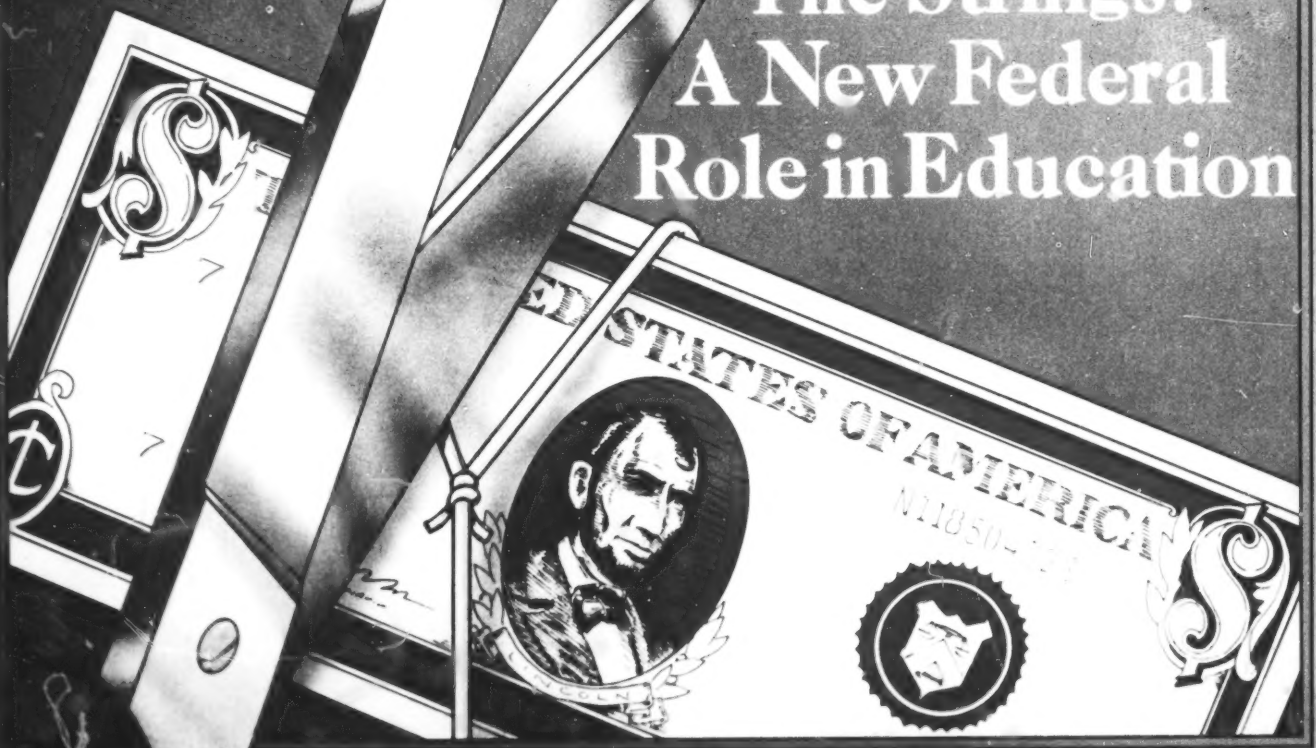
November 1983

KAPPAN

Educators' Responses to
The "Excellence Movement"
—featuring Harold Howe II

Cutting The Strings: A New Federal Role in Education



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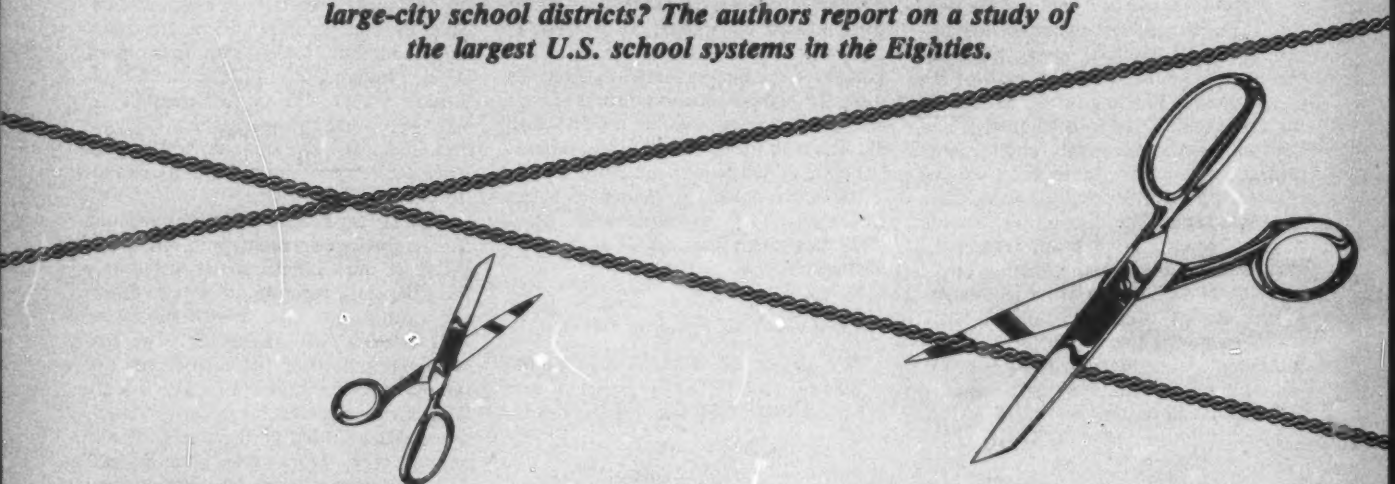
BIG DISTRICTS AND THE BLOCK GRANT: FIRST-YEAR FISCAL IMPACTS

by Richard Jung and Michael Tashjian

Has the consolidation of 28 categorical grants into one block grant had a disproportionate impact on the nation's large-city school districts? The authors report on a study of the largest U.S. school systems in the Eighties.



WHAT HAVE BEEN the consequences of folding 28 federally funded categorical programs into a single block grant with a reduced total budget? Initial analyses indicate that more school districts gained funds than lost money during the first year of the block grant authorized by Chapter 2 of the Education Consolidation and Improvement Act (ECIA).[1] However, the plight of the largest U.S. school districts under Chapter 2 continues to be a matter of concern. More than 10% of all elementary and secondary students in U.S. public schools are enrolled in fewer than 30 large districts. Most of these districts are undergoing desegregation, and all of them serve large numbers of disadvantaged children.

The plight of the largest U.S. school districts under Chapter 2 continues to be a concern.

In considering the fiscal effects of the Chapter 2 block grant on large school districts, it is important to recognize that the $451 million budgeted for Chapter 2 during the 1982-83 school year accounted for only a small part (less than 8%) of the total Education Department (ED) funding for elementary and secondary schools. In fact, less than 1% of most districts' budgets came from the consolidated programs. Moreover, a growing body of literature suggests that anomalies characterize the start-up year of any federally funded education program. Despite the relatively modest funding level of the block grant, this reform has generated considerable

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Will consolidation facilitate the reduction of federal financial assistance to the schools?

controversy in the nation's largest school districts.

The Controversy

The concerns of individual educators and of such groups as the Council of the Great City Schools (CGCS) and the American Association of School Administrators with regard to Chapter 2 are twofold. The immediate concern is that disproportionate financial losses have occurred in large districts as a result of the consolidation. Funding for all but one of the programs folded into Chapter 2 had been awarded competitively, and the large districts, which have more grant-seeking resources, always received the lion's share of these grants. The distributive formula of the Chapter 2 block grant negates the grant-seeking advantages favoring larger districts. The CGCS, in its initial analysis of the impact of the Chapter 2 block grant, estimated that its 28 member districts would suffer an aggregate loss of $55 million, which represents an estimated 60% decline in funding.[2]

The Emergency School Aid Act (ESAA), the second largest program consolidated into Chapter 2, figures importantly in this funding decline. ESAA funds were concentrated in a relatively small number of districts – primarily large, urban districts. These districts thus seem likely to suffer the greatest net funding losses under the Chapter 2 program.

The second concern of many educators is that consolidation may facilitate the gradual reduction of federal financial assistance to the schools. The targeting of funds for categorical programs serves to galvanize congressional commitment. But the percentage of total federal funds allocated to such areas as health and law enforcement through block grants has frequently been reduced from year to year – or it has remained stable, at best. Educators are worried that education block grants may face a similar fate.[3]

With the first school year under the Chapter 2 block grant now completed, it is possible to assess the fiscal effects of this consolidation on large school districts. To carry out this assessment, we selected a sample of the nation's largest school districts through a two-part process. First, we included in our sample the 20 school districts with the largest total enrollments. Then we added to our sample those districts that are located in the 20 largest U.S. cities. The two subsets overlapped, leaving us with a final sample of 28 school districts.

A First Look at Funding Levels

We developed a three-year funding history for each of the 28 districts, covering fiscal years 1980 and 1981 under the antecedent programs and fiscal year 1982 under the block grant. The districts in our sample received between three and 10 grants under the antecedent programs. The block grant funding levels that we used for comparison consisted of the *formula amounts* awarded by the states to these districts.

We discovered that aggregate program funding for the 28 districts dropped by 33.6% between fiscal year 1981 (the last year under the antecedent programs) and fiscal year 1982 (the first year under the block grant). This decrease approximately matched the 33.8% reduction in funding that these districts experienced between fiscal year 1980 and fiscal year 1981 (while they were still under the antecedent programs). However, 10 of the 28 districts actually experienced an increase in funding under Chapter 2 – led by Boston, where Chapter 2 funds were more than double those received in fiscal year 1981 under the antecedent programs. Most of the remaining 18 districts experienced significant declines in funding, among them, Cleveland and Columbus, Ohio (with declines of 80%), Indianapolis (77%), and Milwaukee (72%). The critical question is, Why were some of these districts big winners under the block grant, while other large districts sustained substantial funding cuts?

Before examining the distinguishing characteristics of winning and losing districts, we must point out that using only the Chapter 2 formula amount to establish a district's funding level in fiscal year 1982 is somewhat misleading. The formula amounts that the districts in our sample received under Chapter 2 were supplemented in many cases by discretionary grants awarded by the states, usually out of their block grant "set-asides." Although these discretionary grants often provided significant amounts of program funding, early critics of the block grant systematically overlooked this additional source of Chapter 2 resources.

Discretionary Programs

The federal government allows each state to set aside up to 20% of its total Chapter 2 allotment for administrative and special purposes. Certain states allocated large portions of their set-asides to fund discretionary grants (alternately called "competitive," "incentive," or "mini-grants"). Overall, states varied widely in both the amounts and the proportions of the Chapter 2 set-asides that they targeted for discretionary grants to local districts. Maryland, which represents one extreme among the seven states that we investigated, spent approximately 70% of its Chapter 2 set-aside on more than a dozen mini-grant programs. At the other

"Here's your outfit for the management team in the collective bargaining sessions."

Discretionary grants have softened the losses that some districts would otherwise have suffered.

extreme, Indiana allocated less than 17% of its Chapter 2 set-aside for discretionary grants.

Table 1 shows the effect of these discretionary grants on the overall block grant funding levels in 26 of the 28 districts in our sample during fiscal year 1982.[4] Although five of the 26 districts received no discretionary grants during fiscal year 1982, the remaining 21 districts received $3.6 million from such grants, *in addition to* their Chapter 2 formula amounts. For example, Dade County, Florida, obtained $937,212 from a discretionary grant to teach foreign languages in the elementary grades. Among other qualifications for discretionary grants, districts in Florida must submit proposals and contribute one-to-one matching funds. They may, however, use part of their Chapter 2 formula funds as matching funds for this particular discretionary program. Dade County's share of the $1.2 million allocated by the state for this program meant, for that district, a 43% increase in funding over its Chapter 2 formula amount in fiscal year 1982.

Two Texas districts, Dallas and Houston, also received significant additions to their fiscal year 1982 formula grants from two of the three discretionary grant programs operated by that state with part of its Chapter 2 set-aside allotment. To recoup part of the ESAA funds lost in several large districts, Texas established a $1.7 million discretionary grant program. To qualify for this program, school districts must file applications demonstrating that proposed activities relate to former ESAA goals. Dallas drew about $406,000 from this program, and Houston secured more than $327,000. These two districts also generated smaller amounts — Dallas, $11,730; and Houston, $9,750 — for consortia for teacher training (modeled on the old Teacher Corps and Teacher Center programs) to which they belong.

Cleveland also benefited from a $150,000 Teacher Corps project, as well as from a $74,000 guidance program sponsored by the Ohio Chapter 2 program. (Unlike the other 13 states in our study, Ohio generated the $1.9 million for its four discretionary programs from the carryover funds of the antecedent programs.) Cleveland also received a total of nearly $62,000 from the other two discretionary grant programs in Ohio — one focusing on dropouts, the other on gifted and talented students.

In general, discretionary grants repre-

Table 1. The Effects of Discretionary Programs Funded out of State Chapter 2 Set-Asides on Block Grant Funding Levels in 28 Large School Districts During Fiscal Year 1982

District	Formula Amount	Discretionary Grants	Total Chapter 2 Funding	Increase over Formula Amount %
Los Angeles, Calif.	$8,061,917	$ 15,506	$8,077,423	.2
San Diego, Calif.	2,295,143	0	2,295,143	0
San Francisco, Calif.	1,051,682	0	1,051,682	0
San Jose, Calif.	139,493	3,000	142,493	2.1
Broward County, Fla.	1,192,229	32,600	1,224,829	2.7
Dade County, Fla.	2,160,694	937,212	3,097,906	43.4
Duval County, Fla.	826,376	0	826,376	0
Hillsborough County, Fla.	953,016	14,000	967,016	1.5
Chicago, Ill.	6,331,710	28,537	6,360,247	.4
Indianapolis, Ind.	710,328	22,332	732,660	3.1
Boston, Mass.	1,401,493	0	1,401,493	0
Baltimore, Md.	1,358,878	67,987	1,426,865	5.0
Baltimore County, Md.	802,806	36,690	839,296	4.8
Montgomery County, Md.	813,258	56,799	870,055	7.0
Prince Georges County, Md.	965,709	77,690	1,043,399	8.0
Detroit, Mich.	3,341,582	40,000	3,381,582	1.2
New York, N.Y.	10,998,152	556,714	11,554,866	5.1
Cleveland, O.	1,010,187	224,000*	1,234,187	22.2
Columbus, O.	695,260	61,980*	756,240	8.9
Philadelphia, Pa.	3,422,204	124,141	3,546,345	3.6
Memphis, Tenn.	1,051,279	0	1,051,279	0
Dallas, Tex.	1,094,840	416,328**	1,510,968	38.0
Houston, Tex.	1,588,425	337,153**	1,925,578	21.2
San Antonio, Tex.	823,690	52,530**	876,220	6.4
Milwaukee, Wis.	2,195,606	500,000	2,695,606	22.8
Fairfax County, Va.	622,618	8,333**	630,952	1.3
TOTAL	$68,710,187	$3,811,529	$69,221,716	6.5

*Fiscal year 1982 Chapter 2 discretionary grant awards to local education agencies and intermediary units in Ohio were funded by fiscal year 1981 carryover funds from antecedent programs.

**Part of these funds, generated by the school district's for a consortium, were available for use by any unit in the consortium.

Twelve of the 28 districts experienced a net increase in funding under Chapter 2.

sent attempts by the states to use some of their Chapter 2 resources to encourage local school districts to continue to attend to certain categorical objectives once part of the antecedent programs. The very existence of these discretionary grants tends to support the notion that the block grant transfers more responsibility and authority from the federal government to the states. Moreover, the funds from these discretionary grants have softened the losses that some large-city districts would otherwise have suffered because of the more distributive nature of the Chapter 2 awards.

A Second Look at Funding Levels

Having accounted for the additional Chapter 2 funds provided by the state discretionary grants, we are now able to compare more accurately the funding levels for the districts in our sample from fiscal year 1980 through fiscal year 1982. Table 2 shows that the overall decrease in funding between fiscal year 1981 and fiscal year 1982 for these 28 districts was not 33.6%, but only 29.7%.

Taking into account the state discretionary programs supported through Chapter 2 funds, 12 of the 28 districts experienced a *net increase* in funding under Chapter 2. Nonetheless, 16 of the 28 districts in our sample experienced significant cuts in funding under the block grant – ranging from a loss of 6.3% under the fiscal year 1981 allotment for antecedent programs in Chicago to a 78.6% decline in Columbus, Ohio.

It is worth noting that large districts generally experienced *smaller* cuts under the block grants than they experienced during the year prior to consolidation. In effect, large districts were suffering from the erosion of political support for the antecedent programs *before* the programs were folded into the block grant. Contrary to popular belief, the consolidation may actually have protected the large districts from even greater cuts in funding.

Table 2. Fiscal Effects of the Chapter 2 Block Grant on 28 Large Districts

District	FY 1980 Funding Level for Antecedent Programs	FY 1981 Funding Level for Antecedent Programs*	FY 1982 Funding Level for Chapter 2††	Difference, FY 1980 to FY 1981 $	Difference, FY 1980 to FY 1981 %	Difference, FY 1981 to FY 1982 $	Difference, FY 1981 to FY 1982 %	Difference, FY 1980 to FY 1982 $	Difference, FY 1980 to FY 1982 %
Baltimore	$ 1,705,186	$ 1,178,254	$ 1,428,865	– 526,932	– 31.0	+ 250,611	+ 21.3	– 276,321	– 16
Baltimore Co.	560,153	627,978	839,298	+ 77,825	+ 14.1	+ 211,318	+ 33.7	+ 289,143	+ 52.6
Boston	3,332,080	659,003	1,401,493*	– 2,673,077	– 80.2	+ 742,490	+ 112.7	– 1,930,587	– 57.9
Broward Co.	2,728,367	1,882,336	1,224,829	– 846,031	– 31.0	– 657,507	– 34.9	– 1,503,538	– 55.1
Chicago	3,449,659	6,784,273	6,358,256*	+ 3,334,615	+ 96.6	– 426,017	– 6.3	+ 2,908,598	+ 84.3
Cleveland	15,499,068	4,968,874	1,234,187	– 10,530,194	– 68.0	– 3,734,687	– 75.2	– 14,264,881	– 92.0
Columbus	5,732,335	3,537,748	758,240	– 2,194,609	– 38.3	– 2,779,508	– 78.6	– 4,974,095	– 86.8
Dade Co.	2,820,046	2,824,959	3,697,908	– 884,992	– 31.4	+ 472,947	+ 18.0	+ 277,880	+ 9.9
Dallas	3,975,387	2,654,230	1,510,966	– 1,321,157	– 33.2	– 1,143,262	– 43.1	– 2,464,419	– 62.0
Detroit	7,304,073	4,530,600	3,381,582	– 2,773,473	– 38.0	– 1,149,018	– 25.4	– 3,922,491	– 53.7
Duval Co.	1,312,159	781,170	826,376	– 530,989	– 40.5	+ 45,206	+ 5.8	– 485,783	– 37.0
Fairfax Co.	395,056	510,019	630,952	+ 114,963	+ 29.1	+ 120,933	+ 23.7	+ 235,896	+ 59.7
Hawaii	4,007,518	1,866,156	2,187,360†	– 2,148,363	– 53.6	+ 328,206	+ 17.7	– 1,820,158	– 45.4
Hillsborough Co.	1,161,360	865,088	967,018	– 296,232	– 25.5	+ 101,930	+ 11.8	– 194,332	– 16.7
Houston	2,779,482	2,149,607	1,926,578	– 629,875	– 22.7	– 233,029	– 10.4	– 862,904	– 30.7
Indianapolis	2,045,240	3,028,517	732,960	+ 983,277	+ 48.1	– 2,295,557	– 75.8	– 1,312,580	– 64.2
Los Angeles	19,817,260	10,458,382	8,077,423	– 9,358,898	– 47.2	– 2,380,939	– 22.8	– 11,739,837	– 59.2
Memphis	1,249,441	1,043,532	1,051,279**	– 205,909	– 16.5	+ 7,747	+ 0.7	– 198,162	– 15.9
Milwaukee	8,527,592	7,835,647	2,695,606*	– 691,945	– 8.1	– 5,140,041	– 65.6	– 5,831,986	– 68.4
Montgomery Co.	1,185,515	835,105	870,065	– 350,410	– 29.6	+ 34,960	+ 4.2	– 315,460	– 26.6
New York	21,165,761	14,525,732	11,584,886*	– 6,640,029	– 31.4	– 2,970,886	– 20.5	– 9,610,915	– 45.4
Philadelphia	8,781,436	5,609,097	3,536,345*	– 3,172,337	– 36.1	– 2,082,754	– 36.8	– 5,235,091	– 59.6
Prince Georges Co.	1,399,733	571,588	1,043,399	– 828,145	– 59.2	+ 471,841	+ 45.2	– 356,334	– 25.5
San Antonio	760,272	622,780	676,220	– 137,513	– 18.1	+ 53,481	+ 8.6	– 84,052	– 11.1
San Diego	6,065,318	3,828,801	2,295,143	– 2,256,515	– 37.1	– 1,533,658	– 40.1	– 3,790,173	– 62.5
San Francisco	2,261,443	1,610,144	1,051,682	– 730,298	– 31.2	– 558,462	– 34.7	– 1,288,760	– 56.1
San Jose	345,066	390,602	142,493	– 104,164	– 21.0	– 248,209	– 63.5	– 352,563	– 71.2
Washington, D.C.	6,445,895	4,712,630	2,187,360†	– 1,823,265	– 28.3	– 2,435,270	– 52.7	– 4,258,525	– 66.1
TOTAL	$137,040,897	$90,594,100	$63,888,437	– 46,446,797	– 33.8	– 26,907,663	– 29.7	– 73,343,460	– 53.5

Sources: Fiscal year 1980 and fiscal year 1981 funding levels for antecedent federally administered programs were obtained from the Assistance Management Procurement Service (AMPS) file; for state-administered programs, from General Education Provisions Act (GEPA) files for fiscal year 1980 and from interviews with state officials, from state documents, or from tables contained in *Analysis of the Effects of the FY 82 and FY 83 Budget Budget Proposals on Urban Schools* (Washington, D.C.: Council of the Great City Schools, February 1982). Fiscal year 1982 funding levels for Chapter 2, ECIA block grant, were obtained from interviews with state Chapter 2 officials in April 1982, unless otherwise indicated.

*Source: Chapter 2 Office, U.S. Education Department.

**Source: Tables in NIE/FSB case studies on Chapter 2 implementation.

†Source: U.S. Education Department table, "Education Consolidation and Improvement Act, Chapter 2: FY 1982 Appropriation — Continuing Resolution (Final)." Hawaii and the District of Columbia are anomalous because of their status as large local education agencies *and* as state-level agencies; however, Title V programs are not included in the antecedent program totals for these two districts in order to have comparable data for each of the 28 sample districts.

††Chapter 2 amounts include both formula and discretionary grants received by these districts in fiscal year 1982.

Winners and Losers

Of all the district characteristics that we examined, by far the most important predictors of the net funding change under Chapter 2 were 1) whether a district was a former ESAA recipient and 2) the amount of ESAA funds that a district received. We found no relationships between funding patterns under the block grant and a district's regional location, its poverty level, or its local tax structure. The percentage of a district's budget derived from federal sources proved unrelated, as did the consideration given to "high-cost" students in a state's Chapter 2 distribution formula. Nor did we find any relationship between funding patterns under the block grant and a state's future fiscal capacity or the percentage of its Chapter 2 set-aside.

Table 3 divides the sample districts into winners and losers under the block grant (fiscal year 1981 to fiscal year 1982) and ranks the districts in each of these categories according to the magnitude (in percentages) of their increases or decreases under Chapter 2. As Table 3 shows, the districts with the largest ESAA grants prior to consolidation generally suffered the heaviest cuts under the block grant. Each of the four districts that experienced the greatest percentage decline in funding under the block grant had received multi-million-dollar ESAA grants in fiscal year 1981. On the other hand, none of the 12 winners had received ESAA grants in excess of $600,000 during fiscal year 1981. The average change in funding under the block grant in the four districts that had not received ESAA grants was a 12% increase; by contrast, the 24 districts that had received ESAA funds in fiscal year 1981 experienced an average funding loss under the block grant of 31%. Moreover, of the 11 districts that lost more than $1 million under the block grant, 10 had received multi-million-dollar ESAA grants in fiscal year 1981.

Correspondingly, a district's status with regard to desegregation was also strongly related to the magnitude of funding losses or gains. Those districts in our sample that were operating under court-ordered desegregation plans — the same districts that had usually received sizable ESAA grants — took larger proportional cuts under the block grant than did districts that were operating under voluntary desegregation plans or that had no desegregation plan. Finally, county districts fared better under the block grant than did city districts. This is largely due to the fact that the county districts had received little or no ESAA funding.

The amount of previous ESAA funding was the major factor determining gain or loss.

Table 3. Biggest 'Winners' and 'Losers' and Selected District Characteristics, Fiscal Year 1981 to Fiscal Year 1982

District	Increase or Decrease %	ESAA Grant, Fiscal Year 1981 $	Desegregation Plan
		Winners	
Boston	+112.7	63,322	Court-ordered
Prince Georges Co.	+46.2	4,565	Voluntary
Baltimore Co.	+33.7	0	None
Fairfax Co.	+23.7	0	None
Baltimore	+21.3	0	None
Dade Co.	+18.0	593,580	Voluntary
Hawaii	+17.7	444,170	Voluntary
Hillsborough Co.	+11.8	511,020	Court-ordered
San Antonio	+8.6	215,986	Voluntary
Duval Co.	+5.8	314,287	Court-ordered
Montgomery Co.	+4.2	319,350	Voluntary
Memphis	+0.7	388,511	Voluntary
		Losers	
Columbus	−78.6	3,171,562	Court-ordered
Indianapolis	−75.8	1,995,275	Court-ordered
Cleveland	−75.2	4,160,674	Court-ordered
Milwaukee	−65.6	6,866,250	Court-ordered
San Jose	−63.5	0	Court-ordered
Washington, D.C.	−62.7	573,642	Voluntary
Dallas	−43.1	1,770,012	Court-ordered
San Diego	−40.1	2,989,361	Court-ordered
Philadelphia	−36.8	2,009,586	Court-ordered
Broward Co.	−34.9	1,405,514	Voluntary
San Francisco	−34.7	882,339	Voluntary
Detroit	−26.4	3,368,321	Court-ordered
Los Angeles	−22.8	6,968,231	Court-ordered
New York	−20.8	6,184,208	Court-ordered
Houston	−10.4	1,414,730	Court-ordered
Chicago	−6.3	1,013,025	Voluntary

PERHAPS THE major finding of this study is that, when discretionary grants funded through Chapter 2 are taken into account, the districts with the largest enrollments and those in the largest cities experienced *smaller* cuts under the block grant than they had experienced in the year prior to consolidation. Nonetheless, certain of the nation's large urban school districts suffered significant cuts in funding under the Chapter 2 consolidation.

It is clear that the amount of previous ESAA funding was the major factor determining whether a large district gained or lost funds during the first year under the block grant. However, larger policy questions remain. Is the "emergency" declared by the passage of the ESAA now over? What are the policy implications of the decision by many districts not to use Chapter 2 funds to continue desegregation activities? Will the education block grant face, like earlier block grants in other areas, a continuing decline in congressional support? The answers to these questions must be considered in light of the major policy objectives of the block grant — to increase state and local discretion and to reduce the burden of administrative paperwork.

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1. *The Impact of Chapter 2 of the Education Consolidation and Improvement Act on Local Education Agencies* (Arlington, Va.: American Association of School Administrators, 1983), p. 3.
2. *Analysis of the Effects of the FY 82 and FY 83 Reagan Budget Proposals on Urban Schools* (Washington, D.C.: Council of the Great City Schools, February 1982).
3. Anne H. Hastings, "The Block Grant Record: Lessons from Experience," *Phi Delta Kappan*, January 1982, pp. 330-32.
4. Two of the districts in our sample, Hawaii and Washington, D.C., are, in effect, both local education agencies and state education agencies and thus do not suballocate state set-aside funds under discretionary grant competitions. □

NOTE

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